



To the Partners of Grant Thornton LLP and  
the Center for Public Company Audit Firms  
Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Grant Thornton LLP (the firm) applicable to non-SEC issuers in effect for the year ended May 31, 2008. The firm's accounting and auditing practice applicable to SEC issuers was not reviewed by us since the Public Company Accounting Oversight Board (PCAOB) is responsible for inspecting that portion of the firm's accounting and auditing practice in accordance with PCAOB requirements. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the AICPA). The design of the system, and compliance with it, are the responsibilities of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with that system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Center for Public Company Audit Firms and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice applicable to the non-SEC issuers of Grant Thornton LLP in effect for the year ended May 31, 2008, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA, and was complied with during the year then ended to provide the firm with reasonable assurance of complying with applicable professional standards.

As is customary in a peer review, we have issued a letter under this date that sets forth comments relating to certain policies and procedures or compliance with them. The matter described in the letter was not considered to be of sufficient significance to affect the opinion expressed in this report.

*BKD, LLP*

Springfield, Missouri  
December 4, 2008

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## Attachment to the Peer Review Report of Grant Thornton, LLP

### Description of the Peer Review Process

#### *Overview*

Firms enrolled in the AICPA Center for Public Company Audit Firms' (the Center) Peer Review Program have their system of quality control periodically reviewed by independent peers. These reviews are system and compliance oriented with the objectives of evaluating whether:

- The reviewed firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers has been designed to meet the requirements of the Quality Control Standards established by the AICPA.
- The reviewed firm's quality control policies and procedures applicable to non-SEC issuers were being complied with to provide the firm with reasonable assurance of complying with professional standards.

A peer review is based on selective tests and directed at assessing whether the design of and compliance with the firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers provides the firm with reasonable, not absolute, assurance of complying with professional standards. Consequently, a peer review on the firm's system of quality control is not intended to, and does not, provide assurance with respect to any individual engagement conducted by the firm or that none of the financial statements audited by the firm should be restated.

The Center's Peer Review Committee (PRC) establishes and maintains peer review standards. At regular meetings and through report evaluation task forces, the PRC considers each peer review, evaluates the reviewer's competence and performance and examines every report, letter of comments and accompanying response from the reviewed firm that states its corrective action plan before the peer review is finalized. The Center's staff plays a key role in overseeing the performance of peer reviews working closely with the peer review teams and the PRC.

Once the PRC accepts the peer review reports, letters of comments and reviewed firms' responses, these documents are maintained in a file available to the public. In some situations, the public file also includes a signed undertaking by the firm agreeing to specific follow-up action requested by the PRC.

Firms that perform audits or play a substantial role in the audit of one or more SEC issuers, as defined by the Public Company Accounting Oversight Board (PCAOB), are required to be registered with and have their accounting and auditing practice applicable to SEC issuers inspected by the PCAOB. Therefore, we did not review the firm's accounting and auditing practice applicable to SEC issuers.

#### ***Planning the Review for the Firm's Accounting and Auditing Practice Applicable to Non-SEC Issuers***

To plan the review of Grant Thornton, LLP, we obtained an understanding of (1) the nature and extent of the firm's accounting and auditing practice and (2) the design of the firm's system of quality control sufficient to assess the inherent and control risks implicit in its practice. Inherent risks were assessed by obtaining an understanding of the firm's practice, such as the industries of its clients and other factors of complexity in serving those clients, and the organization of the firm's personnel into practice units. Control risks were assessed by obtaining an understanding of the design of the firm's system of quality control, including its audit methodology, and monitoring procedures. Assessing control risk is the process of evaluating the effectiveness of the reviewed firm's system of quality control in preventing the performance of engagements that do not comply with professional standards.

***Performing the Review for the Firm's Accounting and Auditing Practice Applicable to Non-SEC Issuers***

Based on our assessment of the combined level of inherent and control risks, we identified practice units and selected engagements within those units to test for compliance with the firm's system of quality control. The engagements selected for review included engagements performed under the Government Auditing Standards, audits performed under FDICIA, multi-office audits and audits of employee benefit plans. The engagements selected for review represented a cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagement reviews included examining working paper files and reports and interviewing engagement personnel.

The scope of the peer review also included examining selected administrative and personnel files to determine compliance with the firm's policies and procedures for the elements of quality control pertaining to independence, integrity and objectivity; personnel management; and acceptance and continuance of clients and engagements. Prior to concluding the review, we reassessed the adequacy of scope and conducted a meeting with firm management to discuss our findings and recommendations.



To the Partners of Grant Thornton LLP and  
the Center for Public Company Audit Firms  
Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Grant Thornton LLP (the "Firm") applicable to non-SEC issuers in effect for the year ended May 31, 2008, and have issued our report thereon dated December 4, 2008. The matter described below was not considered to be of sufficient significance to affect the opinion expressed in the report, which should be read in conjunction with this letter.

#### ***Engagement Performance***

##### **Comment**

The Firm's quality control policies and procedures appropriately address the performance and documentation requirements pertaining to communications with those charged with governance, management and others during the various phases of an audit. However we concluded that these policies and procedures are not consistently applied across the practice, as we noted several engagements where audit teams did not timely perform required communications or fully document the conclusions reached or items communicated. Additionally, audit teams frequently did not interview certain key management personnel or others regarding error or fraud risk. In all instances the reviewers were satisfied that the firm had taken appropriate steps to support its audit opinions.

##### **Recommendation**

We recommend the Firm enhance compliance with existing policies and procedures by providing additional training regarding communication and inquiry with management and those charged with governance. The Firm should also consider expanding procedures in its audit programs, better describing the communication protocols and documentation policies.

##### **Comment**

The Firm's system of quality control requires a critical review of the key aspects of the audit by the entire engagement team with a focus on key issues. While we believe the Firm's audit policies and procedures are sound, we noted several audits where deficiencies resulted from engagement teams misapplying the Firm's guidance or the related professional standards. These deficiencies included the omission or improper evaluation of the results of auditing procedures on unique and discreet issues. In all instances, the Firm has taken appropriate action to address the deficiencies noted.

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**Recommendation**

We recommend the Firm continue its recently implemented monitoring program. The monitoring program includes robust processes to evaluate partner and other professional performance on an individual basis. This includes one-on-one communications including the consequences of not improving performance, creating a tailored action plan to improve performance and monitoring progress against that plan. We believe that such individualized monitoring will improve performance.

BKD, LLP

December 4, 2008



December 5, 2008

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Ladies and Gentlemen:

This letter represents our response to the report and letter of comments issued in connection with our Firm's peer review for the year ended May 31, 2008, and should be read in conjunction with that letter.

#### **Engagement Performance**

##### ***Communications with those charged with governance, management and others***

As stated in the letter of comments, our policies and procedures appropriately address the performance and documentation requirements pertaining to communications with those charged with governance, management and others. Through internal communications and nationally developed training, we will reinforce that all professionals must comply with these policies and procedures, including preparing sufficient appropriate documentation. We have recently implemented new audit engagement software which reflects changes to our audit procedures in these areas and, in light of the additional guidance and training to be delivered, we also made additional changes to our audit programs.

##### ***Emphasis on quality and monitoring engagement team performance***

We are fully committed to continuing our emphasis on quality expectations including reinforcing the engagement team's need to focus on key aspects of the audit. Also, we are equally committed to executing our robust individualized monitoring programs. As a matter of fact, the National Managing Partner of Audit and Advisory Services along with the National Managing Partner of Professional Standards held meetings with individual partners this year to establish action plans to improve their performance. We are confident that such processes will continue to improve the quality of engagement performance.

Our Practice Quality Review Team has held meetings with both our senior leadership team and our partnership board about the practice review and inspection results. We will issue specific communications regarding these results, as well as guidance about needed improvements. Also, the Practice Quality Review Team will specifically inspect engagement team performance regarding these matters during the 2009 audit practice reviews and communicate the results to Firm leadership and all personnel.

*GRANT THORNTON LLP*

# Attachment A



## Peer Review Program

December 11, 2008

Edward E Nusbaum, CPA  
Grant Thornton LLP  
20th Floor  
175 West Jackson Blvd.  
Chicago, IL 60604-2606

Dear Mr. Nusbaum:

It is my pleasure to notify you that on December 11, 2008 the Center Peer Review Committee accepted the report on the most recent peer review of your firm, the related letter of comments, and your firm's response thereto. Those documents will now be placed in the public files of the Center for Public Company Audit Firms. The due date for your next review is November 30, 2011. This is the date by which all review documents should be completed and submitted.

As you know, the reviewer's opinion was unmodified. The Committee asked me to convey its congratulations to the firm.

Sincerely,

Robert Rohweder, Chair  
CPCAF Peer Review Committee

cc: Andrew V Lear, CPA

Firm Number: 10026656

Review Number: 265117